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STATE FOR NEA/ARP, EEB/CBA
COMMERCE FOR ITA THOFFMAN

E.O. 12958: DECL: 03/02/2018
TAGS: [ECON](#) [EINV](#) [ETRD](#) [PREL](#) [IR](#) [MU](#)
SUBJECT: NEW FOREIGN FIRMS SEEK FOOTHOLDS IN OMAN

REF: A. MUSCAT 156

[1](#)B. 07 MUSCAT 792

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b and d)

Summary

[1](#)1. (C) According to a key project development banker in Oman, new foreign firms, including those from Iran and China, are attempting to gain a foothold in Oman amidst the current construction boom. So far, entry has not been easy, in spite of Oman's generally clean tender process. Competence, financing, language, and cultural barriers pose the greatest difficulties for Iranians and other new entrants. Oman's government is looking abroad for a strategic partner for its telecom operator, but the banker believes that one of the most promising sectors for foreign investment lies in the emerging downstream opportunities from the industrial development of Sohar. End Summary.

It's Not Who You Know

[1](#)2. (C) On February 27, Econoff discussed foreign participation trends in the Omani market with Oman Arab Bank Deputy General Manager Michel LeFur. LeFur commented that in general, Oman's clean tendering process favored greater participation from international firms, and that with the opening of the economy, local sponsorship was not as important as it once was. "Knowing (Minister of National Economy) Ahmed Macki or (Minister of Foreign Affairs) Yusef bin Alawi isn't as important as it once was," stated LeFur. To illustrate his point, LeFur recounted a story of a French firm trying to cozy up to Macki on the basis of his knowledge of the French language. "In the end, their efforts to get in with the Minister didn't get them very far," he remarked.

Iranian Interest

[1](#)3. (C) On Iran, LeFur acknowledged that there has been a greater push by Iranian entities to establish closer commercial relationships with Oman, but added that they had accomplished little. For example, he questioned the veracity of reports that Bank Saderat had signed a memorandum of understanding for a \$100 million line of credit with the Oman Chamber of Commerce and Industry (ref A). (Note: A former Chamber board member was equally dismissive of the link in a subsequent conversation with Econoff. End note.)

14. (C) LeFur stated, however, that Iranian companies were interested in bidding on Omani tenders, and that construction officials from Iranian-controlled HICO Dubai had seen him twice about obtaining financing for their bids in Oman. LeFur said that HICO Dubai would most likely table the lowest bid on one particular tender, but noted that its inability to obtain financing would hurt its competitiveness. Language issues and lack of market familiarity may also doom its chances, he commented. According to LeFur, the Omani government, in an attempt to be cordial, is letting the company proceed despite these significant hurdles -- "It's political." In signaling the local banking community's wariness over doing business with Iranian firms, he added, "We won't touch them."

Chinese Stumbling

15. (C) China is also making its presence known in the Omani market, though LeFur acknowledged that first impressions of the Chinese have not instilled a great deal of confidence in their ability to handle high-profile projects. On the construction of a new highway from Quriyat to Sur, LeFur stated that the Chinese firm responsible for the southern road extension was far behind schedule. He also raised the incompetence of Chinese firm SinoHydro in constructing Muscat's new wastewater system, another significantly delayed project. As the financier for the Chinese firm, Oman Arab Bank has already had to call in a performance guarantee of \$10 million from the Bank of China. Nevertheless, in spite of the mis-steps, accentuated by the Chinese' lack of English skills and cultural familiarity, the Omani government decided not to re-tender the project, given that it would have cost upwards of 70 million rials (USD 181 million) to put it out for bid again. LeFur added that politics played a role in keeping SinoHydro on-board, noting that China is Oman's largest energy export market and home to growing Omani investment.

Help Wanted on Telecom

16. (C) On government efforts to locate a strategic partner for Omantel, the monopoly fixed-line operator, LeFur confided that there is significant American interest in serving as the financial consultant for the tender. He noted that JP Morgan, Morgan Stanley, Lehman Brothers, Citibank, and Rothschild have all expressed interest, although aside from Citibank, LeFur felt that none had a sufficient grasp of the region in general, and of Oman in particular.

Downstream Opportunities Available

17. (C) One area where LeFur saw significant potential for foreign investment is in the downstream possibilities from the industrial development of the port city of Sohar, about two hours north from Muscat. LeFur commented that as a result of government-owned Oman Oil's investments in methanol, urea, aluminum, aromatics, and steel production facilities, the company had established a subsidiary to form downstream joint ventures. The company, known as Takamul, is now considering 12 new projects related to aluminum and minerals, but has encountered difficulties in finding foreign firms to participate in the proposed ventures.

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